

Market Highlights

- Over the past quarter, the Canadian Balanced and Income Funds earned one percent. The Small Cap Fund earned three percent. The market indices did somewhat better.
- The Japanese rate hike in February startled global markets, but was all but forgotten by the end of March.
- The North American expansion is nearly six years old and one of the longest on record. Global bank rate hikes and the declining indicators of business in the US presage tougher business conditions.
- Stock markets have completely ignored the above caution and are priced for more extended and exceptional returns, nothing new in that.
- We hold our bonds to dampen the manic depressive swings in stocks and to provide reliable cash flow.
- In Canada, we are rebuilding our energy stocks, income trusts, and steady dividend payers.
- We are building the Global Equity Fund with complete awareness of the risks of US dollar depreciation and a slowing business and profit cycle. However, with the confidence over the long term, excellent business franchises will grow with the renewal of Asia and Eastern Europe.

Being Balanced in an Exuberant World

As investors of somewhat bearish persuasion, we were heartened to learn the shares of the Berlin Zoo had climbed 112 percent this year after Knut, their orphan polar bear, became a celebrity on German TV. Investors were betting Knut's appeal with "brand management" would be as valuable as Paddington Bear or Winnie the Pooh. We enjoyed the confirmation that bears have value.

On February 20th, the Bank of Japan doubled their bank rate to 50 basis points. It raised the cost of money to global speculators borrowing cheaply in Yen, converting the currency and investing in higher returns elsewhere. Their selling cut deeply into equity and commodity prices, for all of two weeks. One day the Shanghai stock market lost nine percent. By the third week of March, the impact of higher rates was forgotten and the zeal to deal resumed. Stocks and commodities went down then up. Bonds went up, then down and have continued to decline in price. At the end of the quarter, markets and our funds provided a slightly positive outcome. In fact, one of the best performing asset classes globally were the Canadian small cap stocks of which we own many.

The clearest evidence of the zeal to deal is the takeover bids now contemplated for IPSCO, the steelmaker, and for BCE, the telephone company. IPSCO we did own, but now do not. It was one of our more regrettable sell decisions. BCE, we do own, in size.

Despite increases in bank rates in a number of countries, a sixth increase in China's bank reserve requirements and a clearly softening cycle in the US, stock markets continue upward. It would appear that the supply of money is still driving stock prices upward.

So where might we find opportunity?

The imposition of taxes has challenged the income trust market over the last six months. Now we see the strong sifted from the weak. We had added to income trusts during the initial sell off. We are looking for new business opportunities having sustainable cash flows and sound managers and balance sheets.

Our investment in energy has shrunk from the sales of Shell Canada and others. We will add new energy equities, both producers and service companies and in all our equity funds.

With the potential takeout of BCE Inc., we will be seeking companies with dividend drive. If we can find yields competitive with bonds, we will increase our equity exposure.

In our Global Equity Fund, we are selecting to obtain a combination of unique growth companies, steady dividend payers, and a breadth of geographic diversification to capture the growth in Eastern Europe and Asia.

We hold our bonds and cash reserves for their cash flow and as insurance. This will permit us to buy equities cheaper should things go wrong.

The **QVGD Global Equity Fund** invests in common shares of larger companies operating principally outside of Canada. The Global Equity Fund seeks companies with a good record of growth in dividends and/or shareholder's equity.

Performance

Could we start this over again? The costs of acquisition, the appreciation of the Canadian dollar and some weakness in our selections resulted in a negative return since inception.

Inside the Fund

We have begun the QVGD Global Equity Fund from the international equities represented in our Canadian Balanced Fund, (formerly named the Secure Prosperity Fund). The core stocks included Pfizer, a US drug company, Swire Pacific, a Hong Kong based investor in property, airlines and soft drink bottling, CDW Corporation, a US distributor of computer hardware and software, Mercury General, a US auto insurer, Samsung, a South Korean maker of cell phones, televisions and semi-conductors and the gold mining company, Newmont.

In expanding the global portfolio, we have set a number of objectives. Firstly, we sought companies paying dividends and with a history of increasing dividends. Of the 30 companies invested or proposed, all but one, pay dividends and have a record of dividend increases. Secondly, we set a very high standard for the balance sheets. We have long been concerned with prosperity built by debt financed by very low interest rates. This is not sustainable. Therefore, we are emphasizing financial strength. Thirdly, we looked for companies that directly or indirectly benefit from the growth in the "emerging" markets of Asia and Eastern Europe. And fourthly, we developed a core of recognized American firms with long and excellent records that met the above goals.

The American Equities

In the quarter, we introduced **DuPont E.I. De Nemours**, a manufacturer of chemicals, **United Parcel Service**, a courier, the **Washington Post**, a publisher and educator, **Kimberly-Clark**, a maker of consumer paper goods, **Johnson and Johnson**, a medical/pharmaceutical company, **Wells Fargo Corporation**, a bank, and **Stryker Corporation**, another medical products company. All the above companies have records of dividend increases almost annually for the last two decades. The yield on the portfolio is just over 2.4%. With new recommendations, we will increase the Global Fund's dividend yield to 3.0% compared to the S&P 500's of 1.8%.

Stryker Corporation

Stryker Corporation began in 1940, became public in 1979 and now enjoys a market capitalization in excess of \$27 billion. Stryker makes orthopedic implants, hip and knee joints principally. They also provide operating room and medical equipment. The needs of the "baby boom" generation have helped deliver growth of 30% over the last five years in earnings, dividends and shareholders equity. Investors recognize Stryker's worth and have priced the stock highly. Consequently, our position is a modest one.

Going Abroad

We will be diversifying into European and Asian companies with our next round of investments. We expect to make commitments in heavy industry, consumer staples and utilities that will benefit from growth in China, Eastern Europe and Russia. We will also be adding the mining and energy businesses in Europe and Asia, sectors that we ignored given the excellent Canadian opportunities, many of which have been acquired, alas.

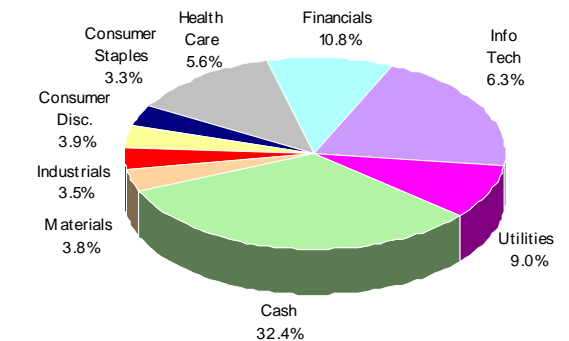
Global Equity Fund vs. Benchmarks

Performance*

	1 Mth Return %	2 Mth Return %	3 Mth Return %
Global Equity Fund	-1.4	-3.1	-3.4
S&P 500 Index (\$CA)	-0.4	-3.1	-0.4
S&P 500 Index (\$US)	1.1	-0.9	0.6
	Mar 31'07	Dec 31'06	Dec 31'05
Equivalent CAD for 1 USD	1.153	1.165	1.166

* QVGD Pooled Fund returns are shown gross of management fees

Sector Allocation - March 31, 2007



Stryker Corporation





Fund Review - Global Equity Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
CASH/BILLS									
CASH									
218,776	CASH - CANADIAN DOLLARS	1.00	218,775.56	1.00	218,775.56	0.00	1.9	0.00	0.00
234,505	CASH - U.S. DOLLARS	1.00 US	270,361.13	1.00 US	270,361.13	0.00 US	2.4	0.00	0.00
			489,136.69		489,136.69		4.3	0.00	
TREASURY BILLS									
1,000,000	CANADA GOVT T/B DISCNT JUN 28 07	98.92	989,190.00	98.92	989,190.00	0.00	8.7	40,261.73	4.07
1,200,000	CANADA GOVT T/B DISCNT MAY 03 07	98.90	1,186,764.00	98.90	1,186,764.00	0.00	10.4	48,311.40	4.07
900,000	USA GOVT T/B DISCNT MAY 03 07	98.67 US	1,050,049.24	98.67 US	1,023,851.29	0.00 US	9.0	51,244.17	5.01
			3,226,003.24		3,199,805.29		28.1	139,817.30	
CASH/BILLS TOTALS			3,715,139.93		3,688,941.98		32.4	139,817.30	
US EQUITY MATERIALS									
3,400	DU PONT E I DE NEMOU COMMON	50.18 US	199,946.90	49.43 US	193,758.68	1.48 US	1.7	5,801.39	2.99
5,050	NEWMONT MINING CORP COMMON	43.72 US	259,534.88	41.99 US	244,471.87	0.40 US	2.1	2,328.86	0.95
			459,481.78		438,230.55		3.8	8,130.25	
INDUSTRIALS									
9,700	HEARTLAND EXPRESS IN COMMON	17.29 US	198,286.07	15.88 US	177,588.10	0.08 US	1.6	894.65	0.50
2,800	UNITED PARCEL SV INC CLASS B	70.58 US	231,450.34	70.10 US	226,291.21	1.68 US	2.0	5,423.24	2.40
			429,736.41		403,879.32		3.5	6,317.89	
CONSUMER DISCRETIONARY									
500	WASHINGTON POST CO CLASS B	794.40 US	461,386.36	763.50 US	440,119.58	8.20 US	3.9	4,726.89	1.07
			461,386.36		440,119.58		3.9	4,726.89	
CONSUMER STAPLES									
2,500	JOHNSON & JOHNSON COMMON	66.65 US	196,341.31	60.26 US	173,684.39	1.50 US	1.5	4,323.38	2.49
2,500	KIMBERLY CLARK CORP COMMON	68.89 US	201,861.76	68.49 US	197,405.30	2.12 US	1.7	6,110.37	3.10
			398,203.07		371,089.69		3.3	10,433.75	
HEALTH CARE									
49,900	PFIZER INC COMMON	26.08 US	1,529,448.92	25.26 US	1,453,200.47	1.16 US	12.8	66,734.46	4.59
			1,529,448.92		1,453,200.47		12.8	66,734.46	
FINANCIALS									
17,050	MERCURY GENERAL CORP COMMON	53.12 US	1,064,438.20	53.04 US	1,042,604.36	2.08 US	9.1	40,886.45	3.92



Fund Review - Global Equity Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
4,700	WELLS FARGO & CO COMMON	35.57 US	196,251.43	34.43 US	186,563.43	1.12 US	1.6	6,068.87	3.25
			1,260,689.63		1,229,167.79		10.8	46,955.31	
	INFORMATION TECHNOLOGY								
16,000	CDW CORPORATION COMMON	69.39 US	1,304,866.83	61.43 US	1,133,162.35	0.52 US	9.9	9,592.13	0.85
			1,304,866.83		1,133,162.35		9.9	9,592.13	
	US EQUITY TOTALS		5,843,813.00		5,468,849.75		48.0	152,890.68	
	INT'L EQUITY								
	INFORMATION TECHNOLOGY								
3,410	SAMSUNG ELECTRONICS GDR 144A (0.5 ORD)	310.73 US	1,244,783.71	304.25 US	1,196,125.10	2.70 US	10.5	10,606.89	0.89
			1,244,783.71		1,196,125.10		10.5	10,606.89	
	OTHER								
80,300	SWIRE PAC LTD SP ADR (1 ORD A)	10.80 US	1,019,574.64	11.25 US	1,041,501.04	0.27 US	9.1	24,894.19	2.39
			1,019,574.64		1,041,501.04		9.1	24,894.19	
	INT'L EQUITY TOTALS		2,264,358.35		2,237,626.14		19.6	35,501.08	
	PORTFOLIO TOTALS IN CANADIAN DOLLARS		11,823,311.28		11,395,417.87		100.0	328,209.06	

The *QVGD Canadian Income Fund* provides interest and dividend income from Canadian bonds, preferred shares, trusts and common stocks. As the bond portfolio is very short in term, the Fund has very low risk to capital.

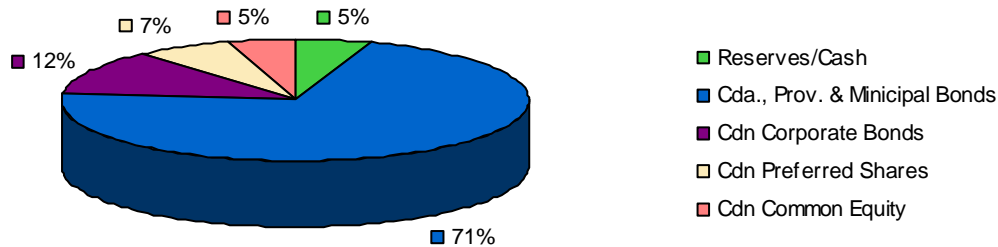
Performance

The Canadian Income Fund advanced by 1.0% in the quarter and by 4.8% over the past year. Since inception, four years ago, the Fund has grown at an annual rate of 5.4% to the end of March.

Inside the Fund

We have not made any changes to the portfolio in the past three months.

The portfolio holds the following assets:



The table to the right shows the defensive quality of the Income Fund. The overall average term to maturity is 3.7 years. The overall yield is 4.2%. Within the bond portfolio, 100% of the holdings carry a credit rating of AAA or AA. This means the Income Fund is a very safe portfolio.

At this time, the Canadian Income Fund holds no Income or Royalty Trusts. However, now that the tax status is more or less defined, we believe that we have some opportunity to re-introduce trusts for their income.

In our other equity portfolios, we have purchased trusts we consider able to maintain distributions, to sustain their business franchises and to meet the pending challenge of paying taxes. Fortunately, the time horizon and some tax pools in some trusts, to say nothing of managerial expertise, will work to the advantage of the income trust investors over the next few years.

As BCE Inc is a holding in the Canadian Income Fund as well as the Canadian Balanced Fund, we repeat the comments made in the report on the Canadian Balanced and Equity Fund review.

During the last few weeks of the quarter, BCE Inc., has been subject of takeover speculation. BCE advanced 9% to new highs at the end of the quarter. It has increased in price by another 6% in April. We will hold the position, as we like BCE's generation of cash flow and portfolio of businesses, as do the take-over artists. The dividend yield on BCE Inc. at current prices is 4.2%, an attractive level in these markets.

Canadian Income Fund vs. Index

Annualized Performance*

	3 Mth Return %	1 Year Return %	4 Year Return %
Canadian Income Fund	1.0	4.8	5.4
Scotia Cap. Short Bond Index	1.0	4.6	4.5

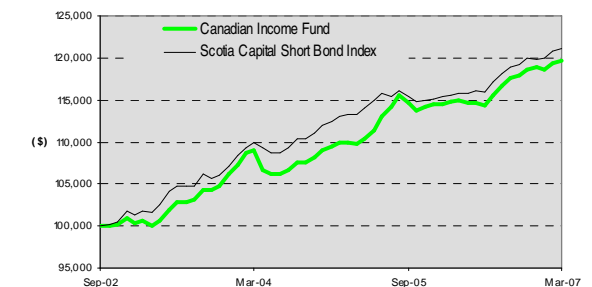
* QVGD Pooled Fund returns are shown gross of management fees

Cdn Income Bond Portfolio Characteristics

Credit Ratings as issued by Standard & Poor's	(%) of bond portfolio
AAA	84%
AA	16%
A	0%
< A/Not rated	0%
Weighted Average Term to Maturity	3.7 years
Average Bond Portfolio Yield	4.2%
Total Portfolio Yield	4.2%

Investment Values

Based on \$100,000 Investment at Inception*



* Assume reinvestment of income and capital gains distributions



Fund Review - Canadian Income Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
CASH/BILLS									
CASH									
54,210	CASH - CANADIAN DOLLARS	1.00	54,210.05	1.00	54,210.05	0.00	0.7	0.00	0.00
			54,210.05		54,210.05		0.7	0.00	
TREASURY BILLS									
80,000	CANADA GOVT T/B DISCNT APR 19 07	99.09	79,269.60	99.09	79,269.60	0.00	1.0	3,212.00	4.05
275,000	CANADA GOVT T/B DISCNT JUN 28 07	98.92	272,027.25	98.92	272,027.25	0.00	3.6	11,071.98	4.07
			351,296.85		351,296.85		4.7	14,283.98	
CASH/BILLS TOTALS			405,506.90		405,506.90		5.4	14,283.98	
FIXED INCOME									
GOVERNMENT BONDS									
900,000	ALBERTA CAP FIN AUTH 4.350 JUN 15 16	99.64	896,742.00	100.40	903,627.00	4.35	12.0	39,150.00	4.30
450,000	BC MUNI FINANCE 4.000 DEC 01 10	99.78	448,996.50	99.49	447,718.50	4.00	5.9	18,000.00	4.15
755,000	CANADA HOUSING TRST 3.550 MAR 15 09	98.26	741,900.40	98.98	747,291.45	3.55	9.9	26,802.50	4.10
1,200,000	CANADA HOUSING TRST 3.550 SEP 15 10	98.82	1,185,807.43	98.23	1,178,766.00	3.55	15.6	42,600.00	4.10
1,000,000	CANADA HOUSING TRST 4.050 MAR 15 11	99.79	997,900.00	99.76	997,605.00	4.05	13.2	40,500.00	4.12
408,000	CANADA HOUSING TRST 4.400 MAR 15 08	101.38	413,611.08	100.18	408,734.40	4.40	5.4	17,952.00	4.20
500,000	ONTARIO PROV 4.000 MAY 19 09	100.20	500,995.00	99.90	499,500.00	4.00	6.6	20,000.00	4.05
200,000	ONTARIO PROV 4.750 JUN 02 13	99.52	199,042.00	102.85	205,700.00	4.75	2.7	9,500.00	4.22
			5,384,994.41		5,388,942.35		71.4	214,504.50	
CORPORATE BONDS									
300,000	BANK OF NOVA SCOTIA 4.295 AUG 22 08	99.61	298,827.00	100.08	300,240.00	4.30	4.0	12,885.00	4.23
600,000	CAN CAP AUTO REC 3.780 NOV 17 07	100.00	600,000.00	99.57	597,447.00	3.78	7.9	22,680.00	4.47
			898,827.00		897,687.00		11.9	35,565.00	
STRAIGHT PREFERRED									
8,000	IND ALLNCE & FNCL NC CLASS A PRF SER B	25.00	200,000.00	25.25	202,000.00	1.15	2.7	9,200.00	4.55
6,100	POWER FINANCIAL CORP PFD 1 SER D 5.50%	24.97	152,291.18	27.30	166,530.00	1.38	2.2	8,387.50	5.04
5,000	ROYAL BANK CDA PFD 1 SER N	26.18	130,889.00	25.44	127,200.00	1.18	1.7	5,875.00	4.62
			483,180.18		495,730.00		6.6	23,462.50	



Fund Review - Canadian Income Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
FIXED INCOME TOTALS			6,767,001.59		6,782,359.35		89.8	273,532.00	
CANADIAN EQUITY									
TELECOMMUNICATION SERVICES									
5,947	BCE INC COMMON	27.75	165,001.77	32.65	194,169.55	1.46	2.6	8,682.62	4.47
			165,001.77		194,169.55		2.6	8,682.62	
UTILITIES									
6,700	TRANSALTA CORP COMMON	23.05	154,414.90	25.00	167,500.00	1.00	2.2	6,700.00	4.00
			154,414.90		167,500.00		2.2	6,700.00	
CANADIAN EQUITY TOTALS			319,416.67		361,669.55		4.8	15,382.62	
PORTFOLIO TOTALS IN CANADIAN DOLLARS			7,491,925.16		7,549,535.80		100.0	303,198.60	

The **QVGD Canadian Balanced Fund** invests for long-term income and capital gains within larger Canadian companies and high quality fixed income securities. The **QVGD Canadian Equity Fund** invests for long-term capital gain with some income from larger Canadian companies, typically paying dividends. The equities parallel those in the Canadian Balanced Fund.

Performance

As shown on the adjacent table the Canadian Balanced Fund advanced 1.0% in the quarter compared to 1.9% for the Balanced Fund Index. The Canadian Equity Fund advanced 2.1% compared to 2.6% for the S&P/TSX Composite Index. In the past year the Balanced Fund rose 7.8%. The Canadian equities within the Balanced Fund grew 11.9% compared to 11.2% for the Toronto market.

Within our Canadian equity portfolio over the past year, we have enjoyed some remarkable gains with energy, financial, and mining stocks advancing 12% to 13%, telecom stocks and utilities up 20% and consumer staples (read boring cheese and grocery stores) up 34%. Had we more commitment to equities in the Canadian Balanced Fund, we could have done better.

The bond portfolio advanced just over one percent equal to the Scotia Capital Bond Index.

Inside the Fund - Canadian Equities

In January, we added **Telus Corp.** to the portfolio. Telus is the largest telecommunication provider in Western Canada. Over the last three years, Telus has increased their dividend an average of 30% per year. We expect the company to increase their dividend further, as they have a lower payout than their competitors and good growth prospects. The introduction of Telus was fortunate. It is benefiting from a BCE Inc. bonanza.

During the last few weeks of the quarter, **BCE Inc.**, our largest holding, has been subject of takeover speculation. BCE advanced 9% to new highs at the end of the quarter and increased another 6% in April. We will hold the position, as we like BCE's generation of cash flow and portfolio of businesses, as do the take-over artists.

We purchased a position in **ING Canada**, a provider of property and casualty insurance. Based on premiums written, they are the largest P&C insurer in Alberta, BC, Quebec and Atlantic Canada. ING is the second largest insurer in Ontario. ING has a history of generating better returns than the competition. This has been through their superior claims adjusting and pricing. Uniquely, ING does not have any debt and ING has increased its dividend on a consistent basis.

We trimmed our **Magna International** position. Magna is bidding for the Chrysler division of DaimlerChrysler. Chrysler is Magna's largest customer. Magna has publicly stated that they want to be a part of the sale discussions to protect their interests. While concerned about this prospect, we took action only after four long-term Magna directors decided to stand down from re-election, a possible indicator of some internal stress.

We tendered **Shell Canada** to the Royal Dutch bid, at \$45 per share.

Inside the Fund - Canadian Fixed Income

We made no changes to the fixed income component of the Balanced Fund. The portfolio holds 95% high quality bonds and only 7% corporate bonds. It provides a yield of 4.3%. The bond portfolio has a term of 8 years. The last two features serve to reduce volatility and indicate our concern that investors are still too indifferent to risk in the credit markets. Higher rates or more distress in the corporate bond market will increase the average term to maturity in the portfolio and/or holdings of higher yielding corporate bonds.

Canadian Balanced Fund vs. Benchmarks

Annualized Performance*

	3 Mth Return %	1 Year Return %	5 Year Return %
Canadian Balanced Fund	1.0	7.8	10.3
Balanced Fund Index**	1.9	8.7	10.1
S&P/TSX Total Return	2.6	11.4	13.1
Scotia Capital Bond Univ.	0.9	5.5	7.0
S&P 500 Index (\$CA)	-0.4	10.5	-0.4

* QVGD Pooled Fund returns are shown gross of management fees

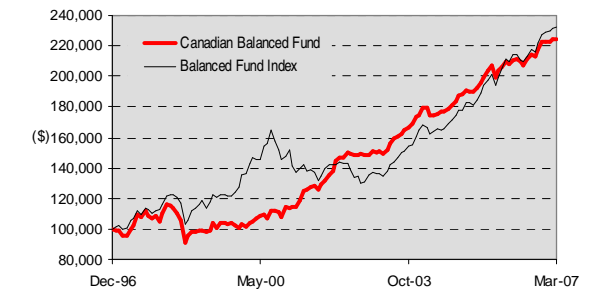
** 10% SCM 91 Day T-Bill Index; 35% SCM Bond Universe Index; 55% S&P/TSX Comp. TR Index

Asset Mix-Canadian Balanced Fund

	Jun-06	Sep-06	Dec-06	Mar-07
Cash/T-bills	9%	8%	5%	7%
Fixed Income				
Bonds	45%	47%	44%	47%
Preferred Shares	5%	5%	5%	5%
Equities				
Income/Royalty Trusts	4%	3%	4%	2%
Common Shares	37%	37%	42%	39%
TOTAL	100%	100%	100%	100%

Investment Values

Based on \$100,000 Investment at Inception*



* Assume reinvestment of income and capital gains distributions



Fund Review - Canadian Balanced Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
CASH/BILLS									
CASH									
949,126	CASH - CANADIAN DOLLARS	1.00	949,126.03	1.00	949,126.03	0.00	1.0	0.00	0.00
			949,126.03		949,126.03		1.0	0.00	
TREASURY BILLS									
5,780,000	CANADA GOVT T/B DISCNT JUN 28 07	98.92	5,717,518.20	98.92	5,717,518.20	0.00	6.0	232,712.83	4.07
			5,717,518.20		5,717,518.20		6.0	232,712.83	
CASH/BILLS TOTALS			6,666,644.23		6,666,644.23		7.0	232,712.83	
FIXED INCOME									
GOVERNMENT BONDS									
6,050,000	ALBERTA CAP FIN AUTH 4.350 JUN 15 16	99.65	6,028,749.99	100.40	6,074,381.50	4.35	6.4	263,175.00	4.30
4,000,000	BC MUNI FINANCE 4.000 DEC 01 10	99.48	3,979,350.00	99.49	3,979,720.00	4.00	4.2	160,000.00	4.15
1,045,000	BC MUNI FINANCE 5.250 JUN 01 09	100.44	1,049,572.25	102.48	1,070,863.75	5.25	1.1	54,862.50	4.04
1,115,000	CANADA HOUSING TRST 3.550 MAR 15 09	98.99	1,103,722.84	98.98	1,103,615.85	3.55	1.2	39,582.50	4.10
4,000,000	CANADA HOUSING TRST 3.550 SEP 15 10	98.64	3,945,780.00	98.23	3,929,220.00	3.55	4.2	142,000.00	4.10
1,120,000	CMHC 5.500 JUN 01 12	101.82	1,140,369.50	106.40	1,191,680.00	5.50	1.3	61,600.00	4.11
3,455,000	MANITOBA PROV 4.800 DEC 03 14	102.38	3,537,236.62	103.40	3,572,470.00	4.80	3.8	165,840.00	4.27
5,000,000	NEW BRUNSWICK PROV 4.300 DEC 03 15	99.70	4,984,820.00	99.75	4,987,500.00	4.30	5.3	215,000.00	4.33
2,000,000	ONTARIO PROV 4.700 JUN 02 37	105.13	2,102,600.00	101.42	2,028,460.00	4.70	2.1	94,000.00	4.61
3,120,000	ONTARIO PROV 4.750 JUN 02 13	99.48	3,103,623.79	102.85	3,208,920.00	4.75	3.4	148,200.00	4.22
5,000,000	TORONTO ON 4.550 MAY 20 15	101.07	5,053,740.00	101.04	5,052,175.00	4.55	5.3	227,500.00	4.40
5,090,000	YORK ON 4.600 MAY 25 15	100.62	5,121,808.16	101.31	5,156,729.90	4.60	5.5	234,140.00	4.41
			41,151,373.14		41,355,736.00		43.7	1,805,900.00	
CORPORATE BONDS									
500,000	BANK OF NOVA SCOTIA 4.290 SEP 22 09	100.16	500,775.00	100.15	500,745.00	4.29	0.5	21,450.00	4.23
1,500,000	BELL CANADA 4.640 FEB 22 16	98.75	1,481,275.00	97.45	1,461,750.00	4.64	1.5	69,600.00	5.00
500,000	CONSUMER GAS 5.000 MAR 31 09	100.06	500,310.00	101.03	505,130.00	5.00	0.5	25,000.00	4.46
400,000	CU INC 6.145 NOV 22 17	102.75	411,000.00	111.94	447,764.00	6.15	0.5	24,580.00	4.70
320,000	SUN LIFE CAP TRUST 6.865 DEC 31 11 PER	102.62	328,384.00	110.16	352,512.00	6.87	0.4	21,968.00	4.46
			3,221,744.00		3,267,901.00		3.5	162,598.00	
STRAIGHT PREFERRED									
33,950	GEORGE WESTON LTD PFD SER 1 5.80%	25.47	864,725.50	25.80	875,910.00	1.45	0.9	49,227.50	5.62

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
90,500	IND ALLNCE & FNCL NC CLASS A PRF SER B	25.00	2,262,550.00	25.25	2,285,125.00	1.15	2.4	104,075.00	4.55
34,600	POWER FINANCIAL CORP PFD 1 SER D 5.50%	24.77	856,927.64	27.30	944,580.00	1.38	1.0	47,575.00	5.04
			3,984,203.14		4,105,615.00		4.3	200,877.50	
RETRACTABLE PREFERRED									
32,600	CDN IMP BANK COMMERC PFD SR 19 CL A	26.38	860,048.50	26.44	861,944.00	1.24	0.9	40,342.50	4.68
			860,048.50		861,944.00		0.9	40,342.50	
FIXED INCOME TOTALS			49,217,368.78		49,591,196.00		52.4	2,209,718.00	
CANADIAN EQUITY									
ENERGY									
70,800	CDN OIL SANDS TRUST TRUST UNIT	18.04	1,277,069.60	28.26	2,000,808.00	1.20	2.1	84,960.00	4.25
31,988	ENCANA CORPORATION COMMON	40.50	1,295,391.22	58.40 CA	1,868,099.20	0.80 US	2.0	29,503.17	1.58
			2,572,460.82		3,868,907.20		4.1	114,463.17	
MATERIALS									
24,250	GOLDCORP INC COMMON	35.99	872,639.60	27.71 CA	671,967.50	0.18 US	0.7	5,032.41	0.75
15,900	NEWMONT MNG OF CDA EXCHGEABLE SHARES	59.90	952,467.31	48.38	769,242.00	0.47	0.8	7,536.60	0.98
33,850	WEST FRASER TIMBER COMMON	43.02	1,456,361.66	42.30	1,431,855.00	0.56	1.5	18,956.00	1.32
			3,281,468.57		2,873,064.50		3.0	31,525.01	
INDUSTRIALS									
34,900	CDN NATL RAILWAY COMMON	44.38	1,549,001.22	50.92	1,777,108.00	0.84	1.9	29,316.00	1.65
44,400	TOROMONT INDS LTD COMMON	22.86	1,014,920.80	26.24	1,165,056.00	0.48	1.2	21,312.00	1.83
100,850	TRANSCONTINENTAL INC CLASS A SUB VTG	19.61	1,977,726.43	21.37	2,155,164.50	0.26	2.3	26,221.00	1.22
			4,541,648.45		5,097,328.50		5.4	76,849.00	
CONSUMER DISCRETIONARY									
35,900	ASTRAL MEDIA INC CLASS A NON VTG	32.97	1,183,584.80	40.20	1,443,180.00	0.40	1.5	14,360.00	1.00
8,950	MAGNA INTL INC CLASS A SUB VTG	85.80	767,910.12	86.62 CA	775,249.00	0.76 US	0.8	7,842.03	1.01
43,300	REITMANS CDA LTD CLASS A NON VTG	20.25	876,818.43	22.16	959,528.00	0.64	1.0	27,712.00	2.89
57,250	RONA INC COMMON	20.98	1,200,914.40	23.63	1,352,817.50	0.00	1.4	0.00	0.00
			4,029,227.75		4,530,774.50		4.8	49,914.03	
CONSUMER STAPLES									
64,500	METRO INC CLASS A SUB VTG	24.00	1,547,891.39	36.50	2,354,250.00	0.46	2.5	29,670.00	1.26
50,900	SAPUTO INC COMMON	32.38	1,648,309.99	46.18	2,350,562.00	0.80	2.5	40,720.00	1.73
			3,196,201.38		4,704,812.00		5.0	70,390.00	



Fund Review - Canadian Balanced Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
FINANCIALS									
44,050	BANK OF NOVA SCOTIA COMMON	40.64	1,790,198.44	53.19	2,343,019.50	1.68	2.5	74,004.00	3.16
40,700	GREAT-WEST LIFECO COMMON	25.96	1,056,677.65	34.80	1,416,360.00	1.02	1.5	41,514.00	2.93
65,000	IND ALLNCE & FNCL COMMON	30.14	1,958,808.03	35.51	2,308,150.00	0.72	2.4	46,800.00	2.03
14,500	ING CANADA INC LTD VGT	51.58	747,912.90	51.77	750,665.00	1.08	0.8	15,660.00	2.09
23,700	NATIONAL BK CDA COMMON	59.32	1,405,981.76	62.48	1,480,776.00	2.16	1.6	51,192.00	3.46
43,900	POWER FINANCIAL CORP COMMON	27.96	1,227,554.40	38.98	1,711,222.00	1.07	1.8	46,973.00	2.74
			8,187,133.18		10,010,192.50		10.6	276,143.00	
TELECOMMUNICATION SERVICES									
81,984	BCE INC COMMON	28.63	2,347,277.57	32.65	2,676,777.60	1.46	2.8	119,696.64	4.47
15,250	TELUS CORP NON VGT	53.57	816,936.99	57.62	878,705.00	1.50	0.9	22,875.00	2.60
			3,164,214.56		3,555,482.60		3.8	142,571.64	
UTILITIES									
37,600	CDN UTILITIES LTD CLASS A NON VGT	33.12	1,245,153.30	42.57	1,600,632.00	1.22	1.7	45,872.00	2.87
83,350	TRANSALTA CORP COMMON	23.02	1,918,415.20	25.00	2,083,750.00	1.00	2.2	83,350.00	4.00
			3,163,568.50		3,684,382.00		3.9	129,222.00	
CANADIAN EQUITY TOTALS			32,135,923.20		38,324,943.80		40.5	891,077.85	
PORTFOLIO TOTALS IN CANADIAN DOLLARS			88,019,936.21		94,582,784.03		100.0	3,333,508.67	

The **Canadian Small Cap Fund** provides investors with a superior long-term rate of return by investing in common shares of small and mid-cap Canadian companies.

Performance

The Canadian equity market shrugged off worries regarding the Asian stock markets and the US real estate sector to post yet another quarter of positive returns. The real place to make money in the quarter, however, was Canadian small cap companies. The small cap sector showed significant appreciation relative to both the overall Canadian marketplace, the US small cap sector, and in fact most global equity markets. The QVGD Canadian Small Cap Fund provided positive returns but underperformed the benchmark in the quarter, gaining 3.1% versus 5.2% as we maintained our defensive value driven strategy. Our extreme underweight in the heavily-weighted materials sector was the main contributor to underperformance as this group continues to lead the benchmark's gains.

Inside the Fund

If small caps were the place to be why did we not at least keep pace with the benchmark indices and own more of what went up the most? The answer is quite simple, the benchmark has greater than 25% exposure to the materials sector, ie. base metals stocks, golds, steels etc. Investors have fallen in love with this volatile segment of the market and have driven valuations to levels which we believe pose considerable risk. We still own some companies within these industries but at a much smaller portion of our portfolio. When smaller companies considerably outperform the marketplace and do so in highly volatile industries, investor appetite for risk is high as is their confidence level. These have historically been times when one should be cautious and not get caught up in trying to maximize returns, since they will in turn likely maximize losses when the cycle changes.

Our strategy in this environment will be to continue to emphasize quality and diversification in our portfolio. We will stress more defensive and non-cyclical investments, which show very dependable earnings at a low valuation. The portfolio is fundamentally solid with low valuations yet higher growth rates than the marketplace. If we are correct in our assessment that the risk/reward tradeoff is marginal, our excess cash reserve should provide the flexibility to add to quality businesses at better prices. Nonetheless, we are not hiding in the bunker but rather being very selective in looking for opportunity where the market has lost interest. Our one new purchase for the quarter is such an example. Even though it is in the energy sector, which as an industry has seen significant appreciation in this cycle, over the past year energy stocks have been battered. It is this newfound negative outlook for the group that excites us and allows us to invest in what we believe is an exceptional oil and gas service company, while it is on sale.

Pason Systems Inc. (PSI- TSX)

Pason is an industrial technology company that provides instrumentation systems to land based oil and gas drilling rigs. The Company's products allow customers to conveniently monitor the progress of drilling operations located in remote locations from a desktop. Pason's core products enjoy a monopoly position in Canada with 100% market share due to their proprietary nature. This provides the company with pricing power, which is rare in an industry that relies so heavily on underlying commodity prices. Their strong competitive position is reflected in their industry leading profitability. The balance sheet is pristine with no debt. Growth has been financed from internally generated cash flow and has been consistent over time. Pason still has significant growth opportunities through the introduction of new products and further penetration of markets outside of Canada.

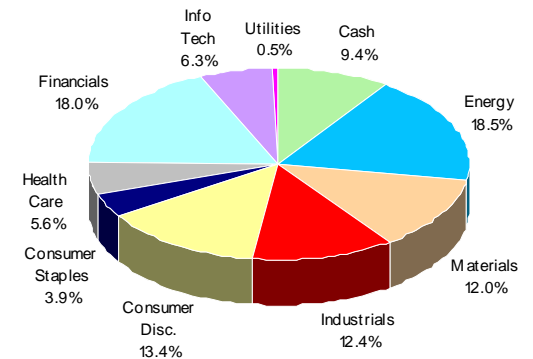
Canadian Small Cap Fund vs. Benchmarks

Annualized Performance*

	3 Month Return %	1 Year Return %	5 Year Return %
Canadian Small Cap Fund	3.1	7.3	22.0
BMO Sml Cap Index (unwtd)	5.2	5.3	14.3
S&P/TSX Small Cap Index	5.4	8.4	10.4

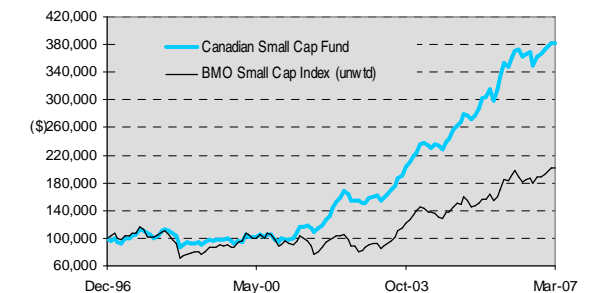
* QVGD Pooled Fund returns are shown gross of management fees

Sector Allocation – March 31, 2007



Investment Values

Based on \$100,000 Investment at Inception*



* Assume reinvestment of income and capital gains distributions



Fund Review - Canadian Small Cap Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
CASH/BILLS									
CASH									
39,453	CASH - CANADIAN DOLLARS	1.00	39,453.24	1.00	39,453.24	0.00	0.1	0.00	0.00
			39,453.24		39,453.24		0.1	0.00	
TREASURY BILLS									
5,604,000	CANADA GOVT T/B DISCNT JUN 28 07	98.92	5,543,526.06	98.92	5,543,526.06	0.00	9.3	225,607.02	4.07
			5,543,526.06		5,543,526.06		9.3	225,607.02	
CASH/BILLS TOTALS			5,582,979.30		5,582,979.30		9.4	225,607.02	
FIXED INCOME									
CORPORATE BONDS									
221,464	TAIGA BLDG PRODS LTD 14.000 SEP 01 20	100.00	221,464.00	98.25	217,588.38	14.00	0.4	31,004.96	14.29
			221,464.00		217,588.38		0.4	31,004.96	
FIXED INCOME TOTALS			221,464.00		217,588.38		0.4	31,004.96	
CANADIAN EQUITY									
ENERGY									
108,380	ALTAGAS INCOME TRUST TRUST UNIT	27.24	2,952,055.58	24.46	2,650,974.80	2.04	4.5	221,095.20	8.34
44,780	CCS INCOME TRUST TRUST UNIT	34.05	1,524,551.02	36.66	1,641,634.80	2.10	2.8	94,038.00	5.73
117,329	CRESCENT POINT ENRGY TRUST UNIT	19.20	2,252,322.37	18.48	2,168,239.92	2.40	3.6	281,589.60	12.99
129,404	KERECO ENERGY COMMON	11.87	1,536,090.49	7.15	925,238.60	0.00	1.6	0.00	0.00
62,000	PASON SYSTEMS COMMON	14.38	891,266.61	14.32	887,840.00	0.15	1.5	9,300.00	1.05
47,700	REAL RESOURCES INC COMMON	23.21	1,107,077.50	9.79	466,983.00	0.00	0.8	0.00	0.00
45,000	SAVANNA ENERGY COMMON	20.47	921,017.80	19.31	868,950.00	0.00	1.5	0.00	0.00
59,800	SPECTRA ENERGY INCOME FUND	11.79	705,326.80	9.95	595,010.00	0.84	1.0	50,232.00	8.44
85,174	TRISTAR OIL&GAS COMMON	7.80	664,760.81	5.10	434,387.40	0.00	0.7	0.00	0.00
95,900	WEST ENERGY LTD COMMON	6.03	578,547.63	3.94	377,846.00	0.00	0.6	0.00	0.00
			13,133,016.61		11,017,104.52		18.5	656,254.80	
MATERIALS									
71,500	CASCADES INC COMMON	11.31	808,381.77	11.65	832,975.00	0.16	1.4	11,440.00	1.37
80,310	CCL INDUSTRIES INC CLASS B NON VTG	28.35	2,276,439.93	37.15	2,983,516.50	0.48	5.0	38,548.80	1.29
180,420	IAMGOLD CORP COMMON	9.99	1,801,770.70	8.91	1,607,542.20	0.07	2.7	12,629.40	0.79
268,700	METALLIC VENTRS GOLD COMMON	2.48	666,383.70	2.21	593,827.00	0.00	1.0	0.00	0.00



Fund Review - Canadian Small Cap Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
29,420	RUSSEL METALS INC COMMON	20.54	604,215.04	28.55	839,941.00	1.60	1.4	47,072.00	5.60
60,900	TAIGA BUILDING PROD COMMON	1.22	74,268.80	1.80	109,620.00	0.26	0.2	15,566.04	14.20
			6,231,459.94		6,967,421.70		11.7	125,256.24	
INDUSTRIALS									
119,600	BUHLER INDS COMMON	5.89	704,451.97	5.64	674,544.00	0.15	1.1	17,940.00	2.66
65,450	MAJOR DRILLING GRP COMMON	15.83	1,036,052.27	31.41	2,055,784.50	0.00	3.5	0.00	0.00
114,550	MARTINREA INTL COMMON	7.40	847,944.37	14.85	1,701,067.50	0.00	2.9	0.00	0.00
99,760	MULLEN GROUP INCOME FD	24.94	2,488,320.36	18.25	1,820,620.00	1.80	3.1	179,568.00	9.86
127,100	TRIMAC INCOME FUND TRUST UNIT	10.46	1,329,847.64	8.61	1,094,331.00	0.93	1.8	117,592.92	10.75
			6,406,616.61		7,346,347.00		12.4	315,100.92	
CONSUMER DISCRETIONARY									
70,000	COSSETTE COMMUNICAT SUB VTG	10.79	755,413.20	11.48	803,600.00	0.00	1.4	0.00	0.00
456,400	GLACIER VENTURES COMMON	3.07	1,400,165.00	3.05	1,392,020.00	0.00	2.3	0.00	0.00
13,600	LE CHATEAU INC CLASS A SUB VTG	37.24	506,400.19	56.50	768,400.00	1.50	1.3	20,400.00	2.65
60,200	LEONS FURNITURE LTD COMMON	42.34	2,548,852.45	50.00	3,010,000.00	1.12	5.1	67,424.00	2.24
63,430	UNI SELECT INC COMMON	27.67	1,755,101.04	31.10	1,972,673.00	0.43	3.3	27,274.90	1.38
			6,965,931.88		7,946,693.00		13.4	115,098.90	
CONSUMER STAPLES									
57,330	EMPIRE LTD CLASS A NON VTG	40.02	2,294,130.91	40.10	2,298,933.00	0.60	3.9	34,398.00	1.50
			2,294,130.91		2,298,933.00		3.9	34,398.00	
HEALTH CARE									
94,300	ATRIUM BIOTECH SUB VTG	15.41	1,453,494.09	17.01	1,604,043.00	0.00	2.7	0.00	0.00
90,600	AXCAN PHARMA INC COMMON	14.91	1,350,409.96	19.13	1,733,178.00	0.00	2.9	0.00	0.00
			2,803,904.05		3,337,221.00		5.6	0.00	
FINANCIALS									
56,160	CDN WESTERN BANK COMMON	18.14	1,018,592.09	25.41	1,427,025.60	3.20	2.4	179,712.00	12.59
34,930	CHARTWELL SR HOUSING TRUST UNIT	12.30	429,510.64	14.22	496,704.60	1.07	0.8	37,200.45	7.49
169,700	CROMBIE REIT	11.16	1,893,650.44	13.90	2,358,830.00	0.83	4.0	140,857.79	5.97
4,426	E-L FINANCIAL CORP COMMON	516.62	2,286,551.47	690.00	3,053,940.00	0.50	5.1	2,213.00	0.07
41,470	HOME CAPITAL GROUP COMMON	25.55	1,059,437.97	35.13	1,456,841.10	0.36	2.5	14,929.20	1.02
90,200	MORNEAU SOBECO INCOME FUND	12.03	1,085,407.65	12.65	1,141,030.00	0.88	1.9	79,621.34	6.98



Fund Review - Canadian Small Cap Fund

QUANTITY	SECURITY DESCRIPTION	UNIT COST	BOOK VALUE	UNIT PRICE	MARKET VALUE	COUPON/DIVIDEND	% OF PORTFOLIO	ANNUAL INCOME	YIELD AT MARKET
165,010	WESTERN FINL COMMON	2.91	479,769.70	4.75	783,797.50	0.00	1.3	0.00	0.00
			8,252,919.96		10,718,168.80		18.0	454,533.78	
INFORMATION TECHNOLOGY									
50,600	AASTRA TECHNOL COMMON	27.78	1,405,845.21	33.31	1,685,486.00	0.00	2.8	0.00	0.00
34,900	CONSTELLATION SFTWR COMMON	19.63	685,254.25	24.99 CA	872,151.00	0.15 US	1.5	6,035.43	0.69
99,050	GENNUM CORP COMMON	10.71	1,061,029.66	12.01	1,189,590.50	0.14	2.0	13,867.00	1.17
			3,152,129.13		3,747,227.50		6.3	19,902.43	
UTILITIES									
39,187	ALTAGAS UTILITY GRP COMMON	7.29	285,826.34	7.11	278,619.57	0.14	0.5	5,486.18	1.97
			285,826.34		278,619.57		0.5	5,486.18	
CANADIAN EQUITY TOTALS			49,525,935.41		53,657,736.09		90.2	1,726,031.25	
PORTFOLIO TOTALS IN CANADIAN DOLLARS			55,330,378.71		59,458,303.77		100.0	1,982,643.23	

An Explanation

To reduce the volatility of clients' portfolios and to increase the potential for a positive return, QVGD manages the "character" of our model equity and bond portfolios. In the equity portfolios, we work to improve the value, growth, dividend yield and credit quality. We seek to keep growth at an advantage to the market. We seek to keep value and credit risks lower than the market. In the bond portfolios, we measure the quality ratings, issuer, term and yield to maturity. Our goal is to keep a consistent long-term, high quality investment strategy.

Equity Characteristics*

	QVGD Large Cap Portfolio	S&P/TSX Comp. Index	QVGD Small Cap Portfolio	BMO Small Cap Index
Valuation				
Price to earnings multiple (current year)	15.0x	15.4x	15.5x	20.3x
Growth				
Return on equity (4-yr-avg)	14.6%	12.4%	13.8%	6.5%
Income				
Dividend Yield	2.4%	2.5%	3.0%	3.1%
Credit Quality				
Percent of debt to shareholder's equity	44.0%	62.0%	30.0%	53.0%

Comments

In managing the equity portfolio, in addition to the selection of companies having good businesses and excellent managers, we always try to maintain the "characteristics" of the total portfolio at an advantage to the market indices. In the long run, this approach has provided higher equity returns compared to the market indices.

In total, our companies have valuation multiples of earnings less than that of the market; dividends, credit quality and historical returns on equity or invested capital higher than the market.

Fixed Income Characteristics*

	QVGD Balanced Bonds	SC Bond Universe	QVGD Income Bonds	SC Short Bond Universe
% of AAA or AA rated bonds	94.6%	72.7%	100.0%	80.1%
Average yield to maturity	4.3%	4.4 %	4.2%	4.2%
Average term to maturity	7.9 yrs	10.1 yrs	3.7 yrs	2.9 yrs

Comments

The table shows that the QVGD bond portfolios have a quality rating that is higher, a term that is shorter and a yield that is comparable to the Scotia Capital Indices. We have emphasized the qualities that support a portfolio having more defensive or less volatile characteristics. In the QVGD Canadian Balanced Fund, the bonds are used to offset the volatility inherent in equities.

* Refer to glossary for definitions

Portfolio Risk Management Terms

Price to Earnings Multiple

The Price to Earnings Multiple is the ratio of a company's share price to its earnings per share. This ratio indicates how many times an investor is paying for each dollar of earnings. A lower number is more attractive.

Return on Equity - 4 Year Average

The Return on Equity - 4 year average is the four year average of the earnings per share expressed as a percentage of the book value per common share. The book value (equity) is the amount shareholders have invested into the firm. This is a common profitability measure. A higher rather than lower percentage is desirable.

Dividend Yield

The Dividend Yield is the annual dividend rate expressed as a percentage of the current price of the stock. The higher the yield, the more income is paid to the investor.

Percentage of Debt to Shareholder's Equity

The Percentage of Debt to Shareholder Equity shows the amount of debt (leverage) used by the company relative to share holders investment (book value) to in their business. Typically, the lower the debt to equity ratio, the lower the financial risk of the company.

Average Yield to Maturity

The Average Yield to Maturity refers to the average annual percent that will be earned on capital if a bond or bond portfolio is held to maturity. The yield to maturity calculation considers the bond's market price, the term (the time remaining to the bond's maturity), and the coupon (the bond's yield at its initial sale). The yield to maturity assumes the semi-annual payments received are reinvested at the prevailing interest rate. The higher the yield the more attractive a bond is.

Average Term to Maturity

The Average Term to Maturity is the time remaining until the bond portfolio is repaid by the borrower to the investor. The shorter the average term to maturity for a bond, the less sensitive or more stable the price of the bond is to changes in interest rates.

Disclosures

QVGD Investors acts for and may invest in the following related companies:

- Industrial Alliance (Clarington Funds)
- Western Financial Group
- CI Funds
- Ethical Funds

800, 700 - 4 Avenue SW | Calgary | AB | T2P 3J4
Ph: 403.265.7007 | Fx: 403.266.6524
www.qvgd.com